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Ms. Marlene H. Dortch
Secretary,
Federal Communications Commission
445 Twelfth Street S.W.
Washington, D.C. 20554

Re: Ex Parte Presentation, CC Docket No. 96-45

Pursuant to Section 1.1206 of the Commission's rules, Valor Telecommunications of Texas, L.P. ("Valor") seeks to update the record with respect to its April 11, 2003, *Request for Waiver of Section 54.305* ("Parent Trap Waiver"), and its interrelated November 6, 2003 ex parte presentation in the above-referenced docket.

As you are aware, Valor acquired part of GTE's Texas properties in 2000, and the FCC's Parent Trap Rule caps the amount of high-cost support Valor is eligible to receive annually for those exchanges. As a result, Valor is limited to only $71,120 per month in high-cost support – an amount that has no nexus to the actual cost to provide service to these properties.

Concurrent with Valor's acquisition of these properties, the FCC recognized that the Parent Trap Rule adversely affects the incentive of rural carriers to invest in acquired exchanges. To address these concerns, the Commission adopted the Safety Valve Mechanism. *See Rural Task Force Order,* ¶ 93. The amount of such support is calculated based on the difference between the expense adjustment from an "index year" and subsequent years.

Valor does not, and will not, qualify for safety valve support because of the idiosyncratic nature of its "index year," which is the first full year after the acquisition - 2001. In that year, Valor had expenditures far in excess of a "normal" representative year of operations due to extraordinary events (weather-related) and state-imposed investment obligations. Because the index year's expenses were so large, Valor is effectively prevented from ever receiving Safety Valve support based on further investments (however large) in subsequent years.

Nonetheless, Valor continues to invest in its properties and seeks additional high-cost support to continue the process of improving and expanding its network. To that end in its April waiver request, Valor sought the amount of high-cost support for which it should be eligible, but for the Parent Trap rule. That waiver would provide Valor with the amount of high-cost support a similarly situated rural carrier would receive. Valor has since recalculated the size of that waiver request, and updates the record accordingly. If the Parent Trap waiver were granted, Valor would receive approximately $55,300 more per month in high-cost support, or $126,000 total per month in high-cost support, a correction to the amount suggested in the waiver petition itself.

In November, Valor proposed an alternative to its Parent Trap waiver. Specifically, Valor suggested a modification to the Safety Valve mechanism, switching Valor's index year from the outlier results of 2001 to the adjusted loop cost for annualized 2000. Valor proposed that the 2000 loop cost, not 2001 loop cost, be used because expenses in that year can be segregated more easily between "normal" and "extraordinary." In order to arrive at the adjusted annual loop cost, Valor separated those expenses that are directly linked to anomalous events as described in the November ex parte. Valor has since recalculated and corrected the amount of support expected under this approach. For 2002, Valor would be eligible for approximately $52,680 in additional support using the adjusted 2000 loop cost, or approximately $123,800 in total monthly high-cost support. Valor's calculations used to arrive at these figures are attached.[1]

Valor urges the Commission to promptly act on its Petition and related requests based upon these updated calculations.

Respectfully submitted,

Gregory J. Vogt

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Counsel for Valor Telecommunications of Texas, L.P.

cc: Sharon Webber
Paul Garnett
Gary D. Seigel

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[1] Valor also corrects certain of the inputs used in the November letter. These adjusted figures do not impact the cost per loop for adjusted 2000, $306.15, which is the same as reported in the November letter. The amount of capital expenditures directly related to the Texarkana ice storms should have been reported as $1.7 million, not $1.5 million, and the amount of network operating costs directly related to the commencement of operations should have been reported to be $7.4 million, not $6.8 million. The $1.7 million and $7.4 million figures were used to determine the $306.15 in the November calculations, but were mistakenly not updated in the November letter itself.

Valor Texas Safety Valve Calcuation

	Index Year 2000 As Filed		Index Year 2000 Adjusted		2004 Payments 2002 Subsequent Year
Expense Adjustment Uncapped					
Valor Cost per Loop	$ 329.93		$ 306.15		$ 371.17
National Average	$ 259.27		$ 259.27		$ 281.67
% Difference	127%		118%		132%
> 115%	Yes		Yes		Yes
115% National Average	$ 298.16		$ 298.16		$ 323.92
Valor over 115% Index	$ 31.77		$ 7.99		$ 47.25
% Support	10%		10%		10%
Support per Loop	$ 3.18		$ 0.80		$ 4.72
Working Loops	317,415		317,415		321,258
Total Support	$ 1,008,412		$ 253,599		$ 1,517,928
Safety Valve Support		**per month**		**per month**	
Subsequent Year Support Uncapped	$ 1,517,928		$ 1,517,928		
Index Year Support Uncapped	$ (1,008,412)		$ (253,599)		
Positive Difference	$ 509,516		$ 1,264,329		
50% of Positive Difference	$ 254,758	$21,230	$ 632,165	$52,680	
Parent Trap Support	$ 853,440	$71,120	$ 853,440	$71,120	
Total Support Possible:	$ 1,108,198	$92,350	$ 1,485,605	$123,800	
Is Total receipts less than amount Valor would receive w/o 54.305		Yes		Yes	